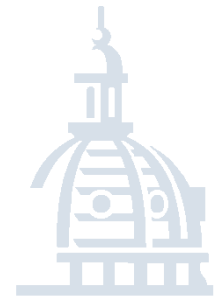


Fiscal Note

Fiscal Services Division



HF 2468 – Revenue Department Miscellaneous Changes (LSB6087HV)
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Fiscal Note Version – Corrected - incorrect Code citation

Description

House File 2468 pertains to the tax and related laws of Iowa. The bill:

- Requires that the Department of Revenue subject job applicants, contractors, vendors, employees, and others performing work for the Department to a national criminal history check through the Federal Bureau of Investigation and requires the Department to provide fingerprints of the individuals to the Iowa Department of Public Safety. With the exception of job applicants, the requirements must be met at least once every 10 years. The bill also requires the investigated individuals to authorize the release of the results to the Department of Revenue. In addition, the bill specifies that the results of the investigation are not a public record and any cost is to be borne by the Department of Revenue. The change is effective on enactment.
- Specifies the procedure the Department of Revenue must use in instances where applications for the [Solar Energy System Tax Credit](#) exceed the total available credit amount for a year. The change is retroactive to January 1, 2014.
- Modifies an existing sales tax exemption available for construction project contracts involving a designated exempt entity. Under current law, designated exempt entities generally include governmental entities and instrumentalities of state, federal, county, or municipal governments. The bill expands the definition of “designated exempt entity” to include the agent of an instrumentality of a county or municipal government if the instrumentality was created for the purpose of owning real property within a reinvestment district established under Iowa Code chapter [15J](#). The change is retroactive to January 1, 2015, and applies to purchases made on or after the date of enactment.
- Requires the Director of the Department of Revenue to consider evidence from both the taxpayer and the Department during a property tax appeal on the assessment of certain centrally assessed property. The provision is effective retroactively to May 22, 2015.
- Extends the Utility Replacement Task Force three years, to January 1, 2019. This provision is effective retroactively to January 1, 2016.
- Removes certain ownership restrictions for small solar projects eligible for Renewable Energy Tax Credits under Iowa Code section [476C.3\(4\)\(b\)\(3\)](#). The change applies retroactively to January 1, 2015, and to applications for the tax credit made on or after June 26, 2015.

Background

Section 3 – Sales Tax Exemption

Construction contracts for buildings constructed for governmental entities and the instrumentalities of governmental entities are generally eligible for a sales tax refund under Iowa Code section [423.4\(1\)](#). To be eligible for the sales tax refund, the purchased property must become an integral part of the building and upon completion, the project must become public property. While the refund provision includes instrumentalities of governments, the refund language does not mention specifically the agents of instrumentalities.

Under current law, Iowa Code section [423.3\(80\)](#) provides a sales tax exemption for the purchase of materials by contractors for the construction of a building for a designated exempt

entity. That section adopts by reference the same definition for “designated exempt entity” as is used in the sales tax refund provision discussed in the above paragraph. The change contained in the bill keeps the existing definition of a “designated exempt entity” eligible for the sales tax exemption and adds the agent of an instrumentality of a county or municipal government, but only in certain circumstances related to a reinvestment district.

Sections 7 and 8 – Small Solar Projects

To qualify for an existing Renewable Energy Tax Credit reserved for small solar projects, a solar energy project must have a nameplate generating capacity of 1.5 megawatts or less and be owned by an electric cooperative association, municipally-owned city utility, or a rate-regulated public utility. The project must also meet the eligible renewable energy facility definitional requirements of Iowa Code section [476C.1\(6\)](#). The change in the bill removes some of the small solar project ownership restrictions associated with the definition of an eligible renewable energy facility.

Current statute allows a total of 10.0 megawatts of projects to be approved for tax credits under the small solar portion of the Renewable Energy Tax Credit Program. The Iowa Utilities Board tax credit project application tracking system indicates that applications have been received for 9.5 megawatts of the totaled allowed 10.0 megawatts. It is assumed that one or two of these projects totaling no more than three megawatts do not meet the current ownership requirements, and those projects will not be approved for tax credits in their current form. The deadline for a project to become operational and therefore eligible to earn Renewable Energy Tax Credits going forward is January 1, 2017.

Assumptions

- An analysis by the Department of Revenue and the Office of Attorney General concluded that the impacted projects within Reinvestment Zones qualify for an existing sales tax refund process and that the change in the bill making those projects also eligible for a sales tax exemption does not provide any additional financial benefit to the projects. If there is no financial benefit to the project, then there is no fiscal impact to state revenue.
- The placed-in-service deadline for the Renewable Energy Tax Credit is January 1, 2017. For the purposes of this fiscal estimate, it is assumed that the full 10.0 megawatts of allowed approved projects will become operational by that deadline, with or without the changes in the bill.

Fiscal Impact

Section 3, dealing with a sales tax exemption for entities involved in projects within a Reinvestment District, is deemed to have no identifiable fiscal impact, as the sales in question are assumed to be eligible for a sales tax refund under current law.

Sections 7 and 8, dealing with the ownership requirements for tax credits available for small solar projects, are assumed to have no identifiable fiscal impact as it is assumed that even if a project on the current application list is found to be an ineligible project, new projects will be added to the list and will become operational by the January 1, 2017, deadline.

The remaining provisions of the bill do not have a significant fiscal impact.

Sources

Iowa Department of Revenue
Iowa Attorney General
Iowa Utilities Board

/s/ Holly M. Lyons

April 28, 2016

The fiscal note for this bill was prepared pursuant to [Joint Rule 17](#) and the Iowa Code. Data used in developing this fiscal note is available from the Fiscal Services Division of the LSA upon request.
